Softline announces strong H1 2021 results with 26% growth in turnover, and 45% increase in gross profit, demonstrating the success of its 3-dimensional strategy

30th November 2021, London, UK - Softline Holding PLC [SFTL, **US83407L2079**] (Softline, Softline Group, the Group, or the Company), a leading global IT solution and services provider with a focus on digital transformation, cloud, and cybersecurity, announces unaudited key operating highlights for the first half of financial year ending 31 March 2022. Softline reiterates its business outlook for the financial year.

H1 2021 BUSINESS HIGHLIGHTS

- Turnover for the period 31 March – 30 September 2021 increased by 26% year-on-year to US$976 million.
- Recurring turnover increased to more than 58% of overall turnover.
- Gross Profit for the period increased by 45% year-on-year to US$129 million
- Adjusted EBITDA to Gross Profit margin increased to 21.6% from 20.8% in H1 2020
- Turnover growth was driven by strength in Software & Cloud, and IT Services, with growth of 28.1% and 64.6% respectively
- Softline made four key strategic acquisitions during the period: Squalio, in Eastern Europe; a joint venture with DigiTech, based in Egypt; Belitsoft in Belarus; and NCSD in Russia. These acquisitions help to accelerate geographic expansion, and bring skills and capabilities in data & technology, cloud services, and custom software development. The transactions are all consistent with our 3D growth strategy.
- In H1 2021, Softline expanded into three new markets, and we've considerably strengthened our position in another three.
- Delivered more than 200,000 hours of training to our customers
- Our people have spent 50,000 training hours, developing their capabilities so they can deliver more value to their customers, and Softline
- Completed the expansion of the Board, which now has a majority of independent nonexecutive directors, in line with our commitment to best practice governance
- Published our ESG statement, in line with our focus on ESG
- Increased service delivery headcount by 40% in the last 6 months, both organically and through acquisitions to match the demand
- Raised USD 400 million in a successful IPO and became a publicly listed company on the London Stock Exchange on the 27th October 2021, and on the Moscow Exchange on the 1st November 2021

Igor Borovikov, Chairman of the Board of Directors of Softline Group, noted:
"Softline is defined by its growth in revenue, as well as is expansion by geography and across its portfolio. Almost 30 years ago, I built Softline as a local software reseller with only 10 employees. Since then, the company has grown to become a global IT leader

with a focus on emerging markets, with more than 6,000 world-class professionals in over 50 countries. We have a unique platform positioned at the centre of the digital transformation and cybersecurity ecosystems, with an agile and resilient business model and a strong proven track record of growth. The strength of our H1 results, including 26% growth in turnover, once again validates this long-term trend, and I am excited about the future. I define this chapter as Softline 2.0, which is built around transparency, responsibility, and innovation. Our recent IPO represented a milestone in our history, and we are incredibly proud to be listed on the London and Moscow stock exchanges. We look forward to continuing this journey alongside our teams, partners, investors and customers."

Softline Global CEO Sergey Chernovolenko said:
"I am grateful to our global team of more than 6,000 professionals for serving the needs of our customers so well… and for an excellent job in the first half of 2021. Softline plays a cornerstone role in the IT ecosystem, and we have a proven growth strategy which has served us very well, and strengthens our position for future expansion and success. Our strategy is centred around three dimensions: geographic, portfolio, and sales channel expansion. All these help us to deliver on our commitments, starting now with turnover growth of 29% in Q2 providing further evidence that our strategy is working. Global investment in cloud and new technologies has intensified as a result of the COVID-19 pandemic, and there is a clear imperative for organizations to accelerate their investments to digitally transform; it is not a choice but a mandatory step that companies will have to take in order to stay in business."

Key Figures

	H1 2021	H1 2020	% Change
Turnover ($ '000)	976 476	775 619	26%
Recurring turnover %	58.6%	56.6%	
Gross Profit ($ '000)	128 889	88 699	45%
Gross Profit Margin	13.2%	11.4%	

Headcount	6 397	4 760	34%
Adjusted EBITDA ($ ‘000)	27 838	18 490	51%
Adjusted EBITDA/Gross profit, %	21.6%	20.8%	

Performance by business line

Turnover by business line ($ ‘000)	**H1 2021**	**H1 2020**	**% Growth**
Software & Cloud	837 878	654 085	28.1%
IT Services	50 817	30 875	64.6%
Hardware	87 781	90 659	-3.2%

Software & Cloud

Turnover from Software & Cloud increased by 28% during the period, driven by growing demand for digital transformation among our customers. More companies appreciate our understanding of Modern IT and digital transformation.

Hardware

Hardware declined 3%, primarily influenced by increased delivery times due to global chip shortage, and against a very strong compare in H1 2020, due to very significant Covid-related demand. Despite the drop-in deliveries in H1, we continue to see demand, even with extended production times for hardware. We are encouraged with customers’ orders and the growth potential, as current market conditions allow for higher margins on hardware.

Services

Services grew 65%, In addition, acquisitions of Softline AG, Belitsoft and Embee helped us to further strengthen our services portfolio.

Performance by geographies

Turnover by region ($ ‘000)*	H1 2021	H1 2020	% Growth
APAC	285 722	136 736	109%
EMEA	47 906	13 243	262%
Russia	487 100	466 831	4%
RoE	63 751	46 616	37%
LATAM	99 511	117 866	-16%

*Added totals differ slightly from group turnover because of headquarter impact of $7.5M in H1 2021, and $5.7M in H1 2020

Turnover growth was driven by particular strength in our International business with turnover now representing above 50% of total turnover. This is part of our promise for further diversification from our original market. Growth was particularly strong in APAC, and EMEA regions, both organically and due to recent acquisitions. Except for Brazil, where macro conditions remain challenging, LATAM region delivered decent growth. We grew mid-single digits in Russia overall off a very strong H1 last year. While we saw some impact on Hardware shipment delays, we were pleased with the Software & Services growth in Russia.

Profitability

Gross Profit was $128.9M, up 45% year over year, compared to $88.7M for H1 last year. Growth was broad-based overall, particularly with 28% growth in Russia. Gross Profit in Q2, was up 65%. Gross Profit margin, turnover based, was 13.2%, compared to 11.4% for H1 last year, and is in line with our expectation.

Adjusted EBITDA was $27.8M, up 51% year over year, compared to $18.5M for H1 last year. For Q2, adjusted EBITDA was $15.1M, representing growth of 72% from $8.8M reported in Q2 2020.

Our headquarter costs are also consistent with our expectation, and excluding these costs, our adjusted EBITDA was $39M, with growth of 55% year-over-year.

Adjusted EBITDA margin, Gross Profit based, was 21.6%, compared to 20.8% for H1 last year.

Other selected financial metrics

Net debt was $213.5M, compared to $109M for H1 last year. Our stake in Crayon at the end of this quarter was $94M, and adjusting for this, net debt was $119M.

Effective tax rate was 26%, compared to 35% for H1 last year.

Capex was $13.6M in H1 2021, and approximately 10.6% of Gross Profit, and reflects the impact of acquisitions.

As part of our capital allocation strategy, we intend to initiate a GDR buy-back program designed to offset the impact of the issuance of shares for our LTI program. We plan to implement the GDR buyback program in the near term, subject to the necessary approvals, for 12 months, and for up to 10% of share capital, as per the maximum allowance under Cypriot law. We will finance the buyback from operations, and our finance investments, and this will not impact our investment strategy for proceeds from our IPO outlined in our prospectus.

M&A

We will continue to focus on organic growth, as well as targeting M&A to add skills and capabilities, and scale faster in strategic areas.

Acquisitions complement our organic strategy. We have a strong track record of identifying and acquiring international companies to help drive our growth plans. Some highlights in H1 2021 include:

- Squalio: through this acquisition, Softline has considerably expanded its Eastern European presence. Squalio is an international data technology company currently operating in Latvia, Lithuania, Belarus and Estonia. It has developed a dominant licensing business through its first-class licensing expertise, and multiple certifications with key strategic vendors, such as Microsoft, Adobe, Oracle, IBM, Google and other cloud and security solutions leading players. In addition to the business, Softline has also welcomed an extraordinary team of professionals.

- Softline is also driving its expansion into North Africa through a joint venture with Digitech, where Softline has the majority of the business. Digitech is a digital transformation specialist, and one of the leading and fastest growing Microsoft partners in Egypt that enjoys both, Microsoft Cloud Solution Provider and Licensing Solution Provider status. Digitech has deep expertise in cloud services, particularly in Azure and M365, a mature cloud-based suite for delivery of cloud services. For Softline, Egypt represents an attractive, fast-growing market, and an strategic foothold in the Middle East.
- The acquisition of Belitsoft, a custom software development services provider based in Belarus, comes with an international customer footprint including the United Kingdom, the United States, Israel and Denmark. The transaction will further strengthen our custom software development capabilities, with a team of more than 300 very talented, world class technology specialists. This is part of Softline's promise to take emerging markets' talent to those regions where their skills are so more needed.

Softline's management team is pleased with the constantly evolving strong pipeline of deals that they are working on, and the company's M&A strategy supports its threedimensional growth plans.

Microsoft

In November, Softline became a member of the Microsoft Intelligent Security Association (MISA), strengthening its collaboration with Microsoft and its position as a global IT provider. MISA is an ecosystem of independent software vendors and managed security services that integrate solutions to improve security in the face of emerging cyber threats. Microsoft also recognized Softline with multiple *Partner of the Year* awards, in Bulgaria, Cambodia, Malaysia and Vietnam. In India, Softline proudly received the *Technology Partner of the Year* award – *Security*. The company was honoured among a global field of top Microsoft partners for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology.

ESG

ESG continues to be at the forefront of Softline's strategy. The company focuses on creating an environment where people can prosper. Softline's commitment to its teams was recognized recently with the certificate of *Great Place To Work* in Colombia, as well as in the APAC region. We have a longstanding dedication to the preservation of basic rights and human dignity in our workplace and beyond, including diversity and inclusion policies which are incredibly important to the company's leadership team.

As part of its ESG strategy, Softline's purpose is to ensure environmentally sound and sustainable development of the company, and we will continue to look for ways to reduce the climate impact of our business. Softline also has a resilient framework in placefor ethics and compliance in all the markets where they operate. The company will continue to promote diversity across its extended governance structure. This year, Softline launched a Supplier Code of Conduct (SCoC), focused on gaining supplier commitment to ESG credentials.

Also, this year the company published its ESG statement that can be read here: https://softline.com/about/esg/esg-statement

Headcount was 6397 at the end of H1 2021.

Outlook

Softline reiterates its business outlook. Softline expects mid-20% turnover growth in 2021 consistent with the approach outlined in its prospectus. Softline expects turnover based Gross Profit to be in the range of approximately 13% to 14% margin over the medium-term. Softline expects increasing adjusted EBITDA margin, Gross Profit based, reaching the low-30% range over the medium-term.

RESULTS OVERVIEW

P&L Statement:		
kUSD	**6m2021**	**6m2020**
Turnover	**976,476**	**775,619**
Revenue	868,384	650,632

Cost of sales	-739,495	-561,933
Gross profit	**128,889**	**88,699**
Gross profit %	13.20%	11.40%
SG&A	-113,291	-78,395
Other expenses/income	-347	394
Operating profit	**15,251**	**10,699**
Foreign exchange/loss	-1,367	-1,178
Finance income/expenses	-8,853	-4,850
Profit before tax	**5,032**	**4,671**
Income tax expense	-1,289	-1,615
Net profit for the year	**3,743**	**3,056**
EBITDA adj.	**27,838**	**18,490**

Cashflow Statement:

kUSD	**6m2021**	**6m2020**
Profit before profit tax	**5,032**	**4,671**

Adjustments to reconcile net profit to net cash flows:		
Depreciation and amortization	9,778	6,737
Finance expenses, net	8,508	4,819
Foreign exchange loss/(gain)	1,367	1,178
Other non-cash transactions	402	747
Operating profit before working capital changes	**25,086**	**18,152**
Working capital adjustments:		
(Increase) in software licenses and other inventory	-11,670	-10,322
(Increase) in advances issued, trade and other receivables	-56,858	-36,560
Increase in contract liabilities, trade and other payables	-16,056	-13,503
Cash generated from operations	**-59,498**	**-42,233**
Income tax paid	-975	-1,807
Net cash generated from operating activities	**-60,473**	**-44,040**
Cash flows from investing activities		
Purchase and development of noncurrent assets	-13,609	-3,407
Acquisition and disposal of subsidiaries	-27,536	-4,012
Sale of Crayon shares	35,650	

Loans issued and collected, net	-4,930	-7,529
Net cash used in investing activities	**-10,425**	**-14,948**
Cash flows from financing activities		
Overdrafts and borrowings received and repaid, net	44,236	41,208
Redemption of shares	-2,476	
Distributions to shareholders		-55
Net cash used in financing activities	**41,760**	**41,153**
Foreign exchange difference	-2,831	1,929
Net increase/(decrease) in cash and cash equivalents	**-31,969**	**-15,906**
Cash in banks and on hand at the beginning of the period	**89,615**	**54,979**
Cash in banks and on hand at the end of the period	**57,646**	**39,073**

Balance Sheet:

as of 30 September 2021, kUSD

Assets	
Cash and cash equivalents	57 646
Trade receivables	248 104
Other receivables	44 173
Inventory	37 016
Advances issued	18 497
Other current assets	22 383
Total current assets	**427 818**
Property, plant and equipment, net	11 714
Goodwill & Intangibles	132 900
Investments in associates and JV	96
Available-for-sale financial assets	94 402
Other non-current assets	28 023
Total non-current assets	**267 134**
TOTAL ASSETS	**694 952**

***Net Debt: $119.1m; Net Debt/EBITDA adj. = 1.94x (incl. value of Crayon stake of $94.4M)**

Balance Sheet:

as of 30 September 2021, kUSD	
Liabilities	
Trade and other payables	275 525
Advances from customers	43 518
Short-term borrowings	168 139
Short-term lease liabilities	4 923
Short-term tax payables	3 494
Other short-term liabilities	20 834
Total current liabilities	**516 433**
Long-term borrowings	88 240
Long-term lease liabilities	9 860
Other long-term liabilities	21 366
Total non-current liabilities	**119 465**
Total liabilities	**635 898**
Total equity	**59 054**
TOTAL LIABILITIES AND EQUITY	**694 952**
*** Net Debt: $213.5m; Net Debt/EBITDA adj. = 3.48x (excl. value of Crayon stake of $94.4m)**	

Additional Information

Detailed financial tables are outlined in Softline's H1 Results supporting materials, which can be accessed in the Investor Relations section of Softline.com

Results conference call

An investor, analyst and media webcast will be held on 30th November at 8:00am UK time. Softline will announce key operating highlights for the first half of financial year ending 31 March 2022.

The webcast can be accessed from the Investor Relations section of Softline.com
A livestream of the investor call will be available and can be accessed here: Issuer Services | London Stock Exchange (lsegissuerservices.com)

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About Softline

Softline is a leading global solutions and services provider in digital transformation and cybersecurity, with its headquarters in London. The company enables, facilitates and accelerates the digital transformation of its customers' businesses, connecting over 150,000 enterprise organizations across a comprehensive range of industries with over 6,000 best-in-class IT vendors, and delivering its own services and proprietary solutions. With approximately 6,000 employees globally, Softline operates in more than 50 countries with significant growth potential in multiple markets from Asia, Latin America, Eastern Europe and Africa. The company addresses the entire rage of its customers' IT needs and is positioned at the center of the digital transformation megatrend.

Since its inception, Softline has achieved a turnover of US$ 1.8 billion in the fiscal year of 2020, and it's currently one of the fastest growing companies in the sector. In October 2021, the company conducted a successful initial public offering of its depositary receipts on the London and Moscow stock exchanges.

Important Notices

The financial results set out in this release [are sourced from the Group's management accounts for 6M 2021 and 6M 2020 and] are unaudited. The "constant currency" metric excludes the effect of foreign currency exchange rate fluctuations by translating the current period revenues into U.S. dollars at the weighted average exchange rates of the prior period of comparison.

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